

Michigan Credit Union League & Affiliates

February 20, 2013
House Financial Services Committee



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Michigan Credit Unions

Job Creation

- 2012 second quarter data showed that Michigan credit unions are supporting job creation through hiring and support for small business.
- Full-time employment at Michigan credit unions increased 1.2 percent in the second quarter of 2012, which represents the best quarterly increase in four years (10,966 FTE's).
- In 2012, full-time employment at credit unions rose 3.3 percent compared to 2.1 percent nationally.
- Full-time employment at Michigan credit unions has now increased for five straight quarters.

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Serve, Grow and Remain Strong.



Michigan Credit Unions

Data and Statistics (data as of Jan. 2013)

- 306 credit unions headquartered in Michigan (compared to 318 in Sept. 2011)
- 1,018 branches
- 10,966 full-time employees
- \$23,831,570,596 in total loans
- \$43,955,577,431 in total assets
- \$6,928,077,766 in total fixed rate, first mortgages
- \$1,289,340,111 in total small business loans
- 4,533,445 credit union members

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Michigan Credit Unions Supporting Small Business Growth

- Support for CU small business members continues to increase
 - Number of Michigan credit unions offering business loans continued to increase in 2012, with nine new credit unions now offering this service to their members.
 - 46 percent of Michigan credit unions now offer business loans compared to 27 percent nationally. Member business loan balances increased by 4.2 percent in the second quarter, compared to 1.7 percent nationally. Michigan CUs are providing much needed capital and support to their small business members throughout Michigan.
 - Michigan's credit unions hold more than \$1.2 billion in total business loans representing nearly 8,000 loans to members for small business.



Regulatory Update – Recent Rules

- CFPB Rules
 - Escrow Requirements – Effective June 1, 2013
 - High Cost Mortgage and Counseling – Effective January 10, 2014
 - Ability to Repay and Qualified Mortgages – Effective January 10, 2014
 - Mortgage Servicing – Effective January 10, 2014
 - Loan Originator Compensation – Effective January 10, 2014
 - Copies of Appraisals – Effective January 18, 2014
- NCUA Rules
 - Small Entity Definition – Effective March 18, 2013
 - Low Income Designation – Effective March 18, 2013
 - Troubled Condition – Effective March 18, 2013
- Joint Agency Rules
 - Appraisals for High Priced Mortgage Loans – Effective January 18, 2014





Regulatory Update – New and Pending Proposals

- **FFIEC**
 - Social Media & Consumer Compliance Risk Management – Comment Due March 25, 2013
- **FASB**
 - Credit Losses – Accounting Standards – Comment Due April 30, 2013

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Regulatory Update – New and Pending Proposals

- **CFPB Proposals**
 - Combined TILA & RESPA Forms – Comments Submitted November 6, 2012
 - International Remittance Transfers – Comments Submitted January 29, 2013
 - Proposed Amendment to the Ability to Repay – Comment Due February 25, 2013
 - Request for Information on the Credit Card Market – Comment Due February 19, 2013
- **NCUA Proposals**
 - Definition of "Rural District" – Comment submitted November 26, 2012
 - TIPS Investments – Comment submitted November 26, 2012
 - Payday Loan Alternatives – Comment submitted November 26, 2012

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Foreclosure Process

- In late 2012, SB 1172 was enacted to extend the sunset on the 90-day foreclosure workout period law through June 30, 2013.
- In January 2013, the CFPB released its 9-part mortgage servicing regulations, including measures on borrower contact and loan mitigation options, effective January 2014.
- The CFPB proposal increases the filing moratorium to 120 days. While the final rule includes a “small servicer” exemption, all institutions are still subject to the additional 120 days.
- Credit unions continue to experience significant financial losses from property damaged during the extended period, as well as during Michigan’s 6 month redemption period.



Urban Blight

- As foreclosures continue, urban blight continues to be an issue of concern. SB 35-39 were recently introduced to help curb urban blight violations. The legislation includes heightened penalties for unpaid blight violations, including sanctions involving future construction and zoning permits.
- An amendment to exempt regulated financial institutions is being considered. This amendment will not deter the focus of the heightened penalties on those who are causing the blight.
- Various parties are also looking at scrap metal regulation, “squatter” issues, and abandoned properties. The MCUL looks forward to participating in workgroups related to abandoned property and blight related issues.





Merchant Checkout Fees

- On January 27, a settlement between VISA and MasterCard and retailers allows merchants to charge a "checkout fee" to make up costs related to acceptance of credit cards.
- Ten states (CA, CO, CT, FL, KS, MA, ME, NY, OK, TX) have enacted prohibitions on similar fees, in various forms.
- HB 4195 has been introduced by Rep. David Nathan (D-Detroit) to prohibit surcharges on gasoline purchases.
- HB 4255 has been introduced by Rep. Jeff Farrington (R-Utica) to prohibit surcharges generally.
- The MCUL generally supports these efforts.

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Vehicle Titling – Fraud Prevention

- Several credit unions have experienced incidents of "title washing". Other forms of vehicle loan fraud are also increasing in both frequency and organization.
- Michigan's paper-based system and current title holding system are contributing to the problem.
- MCUL looks forward to working in tandem with the Secretary of State to support efforts to combat this type of fraud.
- The MCUL will examine other forms of fraud in the context of current statutory structure, to see if positive statutory changes can be made to assist credit unions in combating the problem.

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Real Estate Document Copies

- Legislation was introduced in 2012 to allow a copy of a mortgage document that is verified by an affidavit and recorded to be deemed as complying with all recording requirements in MI.
- Following an errant bankruptcy court decision, and contrary to previous longstanding practice, a copy now is not sufficient because it does not contain the original signatures.
- MCUL supports legislation to remedy the issue, and adjusted language is currently under review for introduction in the coming weeks.



Additional Issues

- UCC Articles 3, 4, 4A – Legislation may be sought to update MI's UCC dealing with deposits and negotiable instruments, and funds transfers, based on nationally recommended revisions.





QUESTIONS?

- Over 40 Chapter Legislative Breakfasts are being planned for the MCUL's chapters in 2013. State and federal lawmakers are invited to participate in their local chapter's events throughout the year.
- The annual Youth Financial Literacy Challenge will take place in April (National Financial Literacy month), along with a new "Reality Fair" event at the Capitol.
- MCUL State Government Affairs Conference scheduled for April 9-10 in Lansing, featuring more than 150 credit union leaders at our legislative luncheon on April 9th in the Mackinaw Room.

2013 Credit Union Legislative Events

Michigan Credit Union Profile

Third Quarter 2012



Executive Summary

The recent fiscal cliff agreement will have a net positive effect on the average American citizen and therefore the average credit union member, and in turn the average credit union. On the plus side, the permanent extension of the Bush era tax cuts for 99% of Americans with incomes below \$400,000 will eliminate the future tax uncertainty that engulfed households and small businesses during the recent past. The certainty will boost household and business confidence, thereby encouraging additional consumption and investment spending. This faster pace of spending could push economic growth over 2.5% in 2013 with the creation of over 2 million jobs.

Moreover, the fiscal resolution has led to surging stock prices. The S&P 500 stock index rose 2.5% on January 2 in response to the fiscal cliff agreement. This rise in asset prices and therefore household wealth could in turn produce a "wealth effect" whereby consumers decrease their savings rate and therefore increase borrowing and spending levels. Hopefully this optimistic mood on Wall Street will infect business owners on Main Street and lead them to spend more on capital investment and employment. Credit unions should expect faster loan growth in 2013, around 5%, now that households have more certainty regarding their tax bill and fewer worries regarding their job security.

Offsetting these positive effects is the increase in the payroll tax rate from 4.2% to 6.2%. So the average American making an annual income of \$50,000 will see an annual \$1,000 tax increase or \$83 dollars per month. This drop in disposable income will lead many members to lower their savings rate rather than lower their spending levels. Therefore, credit unions will see slower savings growth than what would have occurred if the payroll tax cut was extended another year. We expect credit union savings balances to rise 5% in 2013, down from the 7.5% growth pace set in 2012.

If the recovery does accelerate in 2013 due to the new tax agreement, credit union loan delinquency rates will continue to fall during 2013. Delinquency rates fell to 1.15% at the end of 2012, down from 1.6% at year-end 2011. We expect to see loan delinquency rates to fall below 0.9% in 2013. This will lower

credit union provision for loan losses and therefore boost their bottom lines.

Michigan credit union financial performance results were very positive in the third quarter as the Michigan economy recovered along with the national economy:

- Loan balances increased 1.4% in the third quarter of 2012, up from a 0.8% rise in the third quarter of 2011. A strong increase in new and used auto loan balances was the major driving force for the increase in overall loan balances. Consumers continued deleveraging their home equity loan balances which fell -2.1%.
- Michigan credit unions reported strong net membership growth in the third quarter, rising 0.4% versus the rise of 0.3% one year earlier. Net memberships grew by 59,000 in the first nine months of the year to reach 4,533,000.
- Asset quality numbers improved modestly in the third quarter. Overall, 60+ day dollar delinquencies decreased to 1.13% in the third quarter - a 35 bps decrease compared to the third quarter of 2011. Moreover net charge-offs fell to 0.74% in the third quarter - a 20 bps decline compared to the third quarter one year earlier. The Michigan credit union loan delinquency rate is significantly less than the 5.49% reported by Michigan banking institutions.
- Michigan credit unions reported third quarter earnings of 1.04% of average assets, up from 0.48% one year earlier. And with savings and assets growth turning negative in the third quarter the net worth-to-asset ratio rose to 11.0%, above the national average of 10.3%. The percentage of Michigan credit unions considered "well capitalized" (with PCA net worth above 7%) rose to 97.1% from the 96.8% reported in the second quarter of 2012.

Looking ahead, we expect improved economic growth in 2013 due to improving housing, energy and durable goods sectors. With this backdrop, credit union operating results should generally reflect modest improvement.

Recent Economic Developments

- Economic growth perked up to 3.1% on an annualized basis in the third quarter as government spending surged and firms increased the pace of inventory accumulation. Final sales of domestic product - GDP minus change in

inventories - grew 1.9% at an annualized rate, indicating a slowdown in GDP growth in the upcoming fourth quarter. Economic growth should pick up in 2013 as construction activity increases due to a surging housing market and hurricane Sandy rebuilding.

- The jobless rate in Michigan improved over the last few months - falling from 9.4% in August to 8.9% in November. The state's 8.9% jobless rate represents a 0.4% fall since November 2011. The current reading is now only 1.1 percentage points above the national norm.

- Five of the six MSAs listed in the table below showed significant declines in unemployment rates over the past year. Grand Rapids experienced the biggest drop of 1.3 percentage points. The Detroit MSA unemployment rate actually rose 0.3% over the last year to hit 11% in November. Ann Arbor's unemployment rate of 4.3% is now below the 5% level considered to be full employment.

MICHIGAN UNEMPLOYMENT TRENDS

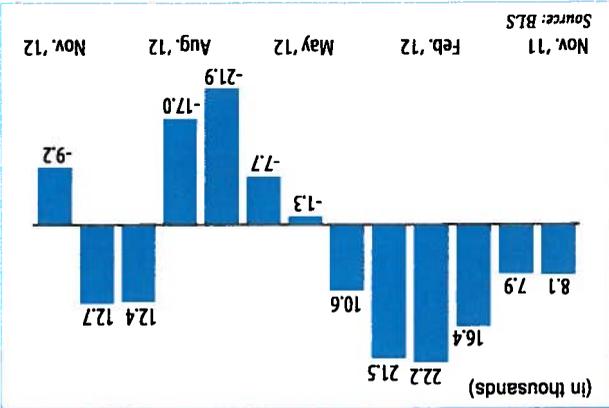
By MSA - Not seasonally adjusted

MSA	November 2011	November 2012	One-Year Change
Ann Arbor	5.2	4.3	-0.9
Detroit	10.7	11.0	0.3
Flint	8.9	7.8	-1.1
Grand Rapids	6.7	5.4	-1.3
Lansing	6.7	5.6	-1.1
Saginaw	8.0	7.0	-1.0

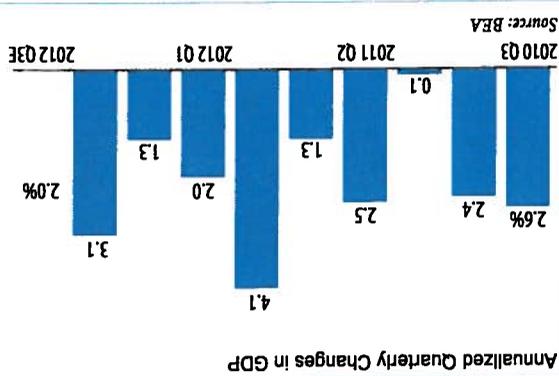
Not seasonally adjusted.
Source: BLS

- Over the last year, Michigan employment numbers rose 47,000 while the number of unemployed decreased by 33,000. The net effect was a 14,000 increase in the Michigan labor force. This is a strong indicator of a reviving economy. The combined effect of more jobs and fewer workers unemployed was sufficient to lower the unemployment rate from 9.6% in November 2011 to 8.9% in November 2012. This improvement in employment suggests that credit union asset quality will continue to improve in the months ahead.

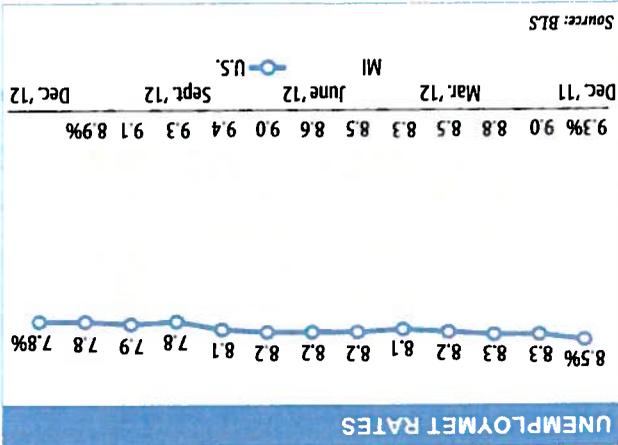
MONTHLY CHANGES IN MI EMPLOYMENT



U.S. ECONOMIC GROWTH

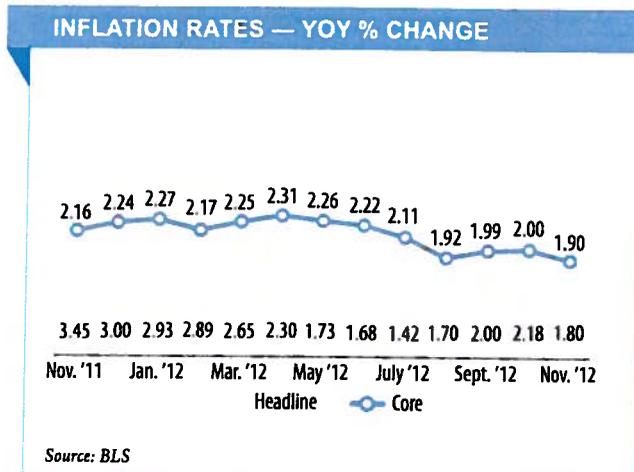


- Retail sales, which covers the durable and non-durable components of consumer spending (i.e., about two-thirds of consumer spending or about 25% of total economic activity) increased in November due to increases in auto sales. This bodes well for credit union auto lending which has seen a strong turnaround in 2012. On a year-over-year basis retail sales are up 3.7%. Looking forward, stronger job growth will be required to keep retail sales (and more broadly-defined consumption activity) growing at a healthy pace.



- The Bureau of Labor Statistics reports that the U.S. unemployment rate declined from 8.5% at year-end 2011 to 7.8% in December 2012. Payrolls increased an average of 153,000 per month in 2012, just enough to keep pace with population growth. Going forward into 2013, job growth should accelerate to around 175,000 jobs per month helping to bring down the unemployment rate.

- The lackluster national economic recovery was enough to induce the Federal Reserve to implement QE-4 – quantitative easing for the 4th time – whereby the Fed prints money to buy Treasury and mortgage backed securities. More on this in the special focus section below. This is all in an attempt to drive down long-term interest rates and stimulate aggregate demand. The Fed also reiterated that they plan to keep their fed funds interest rate target between 0-0.25% until the unemployment rate falls below 6.5% and/or inflation expectations rise above 2.5%



- Headline inflation fell by 0.3% in November due to sharply falling energy prices. Core inflation which excludes the volatile food and energy sectors rose a small 0.1% indicating that inflation is well contained and will remain moderate in the near term. Headline inflation increased a modest 1.8 on a year-over-year basis. Core inflation rose 1.9% over the last year below the Federal Reserve's explicit target of 2%.
- The Federal Housing Finance Agency reported a 1.08%

HOME PRICE CHANGES BY STATE

State	3rd Quarter 2012 (% change from year earlier)
Michigan	7.02%
Ohio	3.44
Indiana	1.48
Wisconsin	0.08
Illinois	-0.28
California	7.24
Nevada	8.66
Arizona	20.06
Florida	7.86%

Source: FHFA—Purchase Only Index, NSA

increase in U.S. home prices in the third quarter of 2012. While the national, purchase-only house price index rose 4.0% from the third quarter of 2011 to the third quarter of 2012, prices of other goods and services rose 1.5 percent over the same period. Accordingly, the inflation-adjusted price of homes rose approximately 2.5% over the latest year. In contrast, Michigan home prices rose 7.02 over the last year, or 5.52% in inflation-adjusted terms.

- When including both refi and purchase mortgage transactions, over the last year home prices increased in four of the six MSAs listed in the table below. Ann Arbor home prices experienced the fastest growth at 1.17%, while Lansing experienced the biggest drop at -2.17%.

MICHIGAN HOME PRICE CHANGES

By MSA

MSA	3rd Quarter 2012 (% change from year earlier)
Ann Arbor	1.17
Detroit	1.13
Flint	-1.59
Grand Rapids	0.15
Lansing	-2.17
Saginaw	-1.99

Source: FHFA - All Transactions Index

- Nationwide, single family housing starts came in at 594,000 in October, up 36% over the last year. This is the fastest pace since 2008. Single family building permits are also up 36% over the last year. This strong gain bodes well for future construction and employment opportunities. Homebuilders are more confident home sales will remain on an upward trajectory.

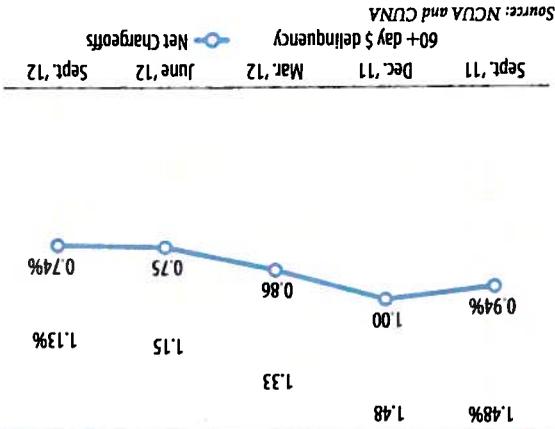
CREDIT UNION RESULTS

Growth

- Michigan credit union financial performance results were strong in the third quarter as the Michigan economy improved alongside the national economy. Aggregate savings balances increased by 5.6% over the last 12 months ending in the third quarter, the fastest pace in 2 years. Loan balances increased 4.2% over the last year, the fastest pace in 4 years. Michigan credit union membership growth remained strong with a 1.9% increase over the last year— the fastest pace in more than five years.

- Michigan credit unions reported lower loan delinquency numbers and lower loan chargeoff numbers in the third quarter. Delinquent loans as a percent of total loans fell in the third quarter to 1.13%, down from 1.15% in the second quarter and 1.48% in the third quarter of 2011. Loan net chargeoff numbers fell to 0.74% in the third quarter from 0.75% in the second and below the 0.94% reported one year earlier. Relative to Michigan banks, credit union delinquency rates are significantly below the bank reported delinquency rate of 5.49% in the third quarter.

MI CU ASSET QUALITY



Earnings

- Michigan credit unions reported annualized quarterly net income of 1.04% in the third quarter – 17 bps higher than the national credit union average and significantly above the 0.48% reported in the third quarter of 2011. Earnings were unchanged relative to the second quarter, however, as lower loan loss provisions and higher fee income – mainly from the mortgage reff boom – was offset by rising operat-

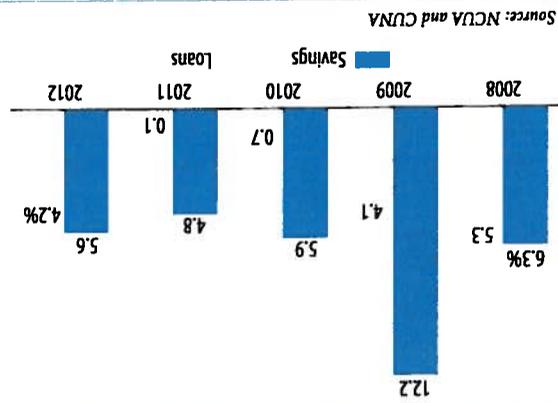
MI CU EARNINGS PERFORMANCE

(With Stabilization Expense - % of Average Assets)

Quarter	Ending 9/12	Ending 6/12	Change
Asset Yield	3.59%	3.62%	-3
-Int./Div. Cost	0.52%	0.54%	-2
= Net Int. Margin	3.07%	3.08%	-1
+ Fee/Other Inc.	1.71%	1.60%	+11
- Operating Exp	3.43%	3.30%	+13
- Loss Provisions	0.31%	0.34%	-3
= Net Inc. (ROA)	1.04%	1.04%	0

Source: NCUA and CUNA

MI CU 12-MONTH GROWTH



Source: NCUA and CUNA

- In contrast, Michigan banking institutions reported a 3.79% increase in savings balances over the last year and a 2.0% increase in loan balances.

- Michigan credit union savings balances fell -0.9% in the third quarter, significantly below the 0.2% pace reported in the third quarter of 2011. IRA and Money market shares were the only accounts showing a gain. Share draft and regular share accounts fell by -2.3% and -1.8%, respectively. Share certificate balances dropped -1.5%.
- Michigan credit union loan portfolios grew 1.4% in the third quarter, significantly above the 0.8% increase reported in the third quarter of 2011. New auto loan balances grew 2.46%, while member business loans rose 4.09% and used auto loans increased 2.7%. First mortgage loans increased 0.8% in the third quarter. But home equity loans and second mortgage loan balances fell -2.1% due to continued deleveraging efforts by members.

Risk Exposure

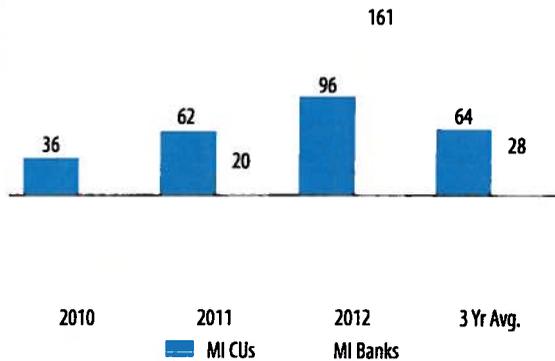
- Relatively fast growth in mortgage portfolios continued to translate into increases in interest rate risk exposure. Michigan credit union net long-term assets, as a percent of total assets, now stand at 35.6%, close to the high water mark of 35.9% in 2008. Michigan numbers are also higher than the national average of 33.0%. Interest rates are not expected to rise until the economy grows fast enough to push the unemployment rate below 6.5%.
- Michigan credit unions still have ample liquidity despite loan growth outpacing savings growth in the third quarter. The states aggregate loan-to-share ratio ended the third quarter at 63.0% – roughly thirteen percentage points lower than pre-recession readings and also below the U.S. credit union average of 68.4%. Michigan banks report a tighter liquidity profile with a third quarter loan-to-savings ratio of 85%.

ing expenses due to the corporate stabilization expense.

- For the 12 months ending in the third quarter of 2012, aggregated results for Michigan credit unions reflect ROA of 0.96%, though most of the earnings were reported in the state's larger institutions – smaller credit unions are exhibit-

MI FINANCIAL INSTITUTION EARNINGS

(Annualized ROA)



Source: NCUA and CUNA

ing tremendous bottom-line strains. In any case, the 96 bps aggregate credit union earnings rate is significantly below the 1.61% average ROA reported by Michigan banking institutions.

Capital Adequacy

- Michigan credit unions had an aggregate net worth ratio of 11.0% at the end of the third quarter 2012, which represents a slight increase compared to the 10.9% reported during the second quarter 2012. The net worth ratio in Michigan is above the 10.3% U.S. credit union norm and the percentage of Michigan credit unions considered "well capitalized" (with PCA net worth above 7%) stood at 97.1% - slightly above the national norm of 95.8%.
- Net worth levels remain high across each of the broad asset-size categories we track with credit unions under \$5 million reporting an average aggregate net worth ratio of 16.7%. At the other end of the spectrum, the state's largest credit unions – those with \$100 million or more in total assets reflect a 11.0% aggregate net worth ratio.

SPECIAL FOCUS:

QE-4

At the latest Federal Open Market Committee (FOMC) meeting the Federal Reserve announced two important changes to how they will carry out monetary policy in the future in order to achieve its long-run goals of maximum employment and an inflation rate of two percent. Both changes will affect the duration and magnitude of the current squeeze on credit unions' net interest margins.

First, the Fed set quantitative thresholds for when they expect to be able to raise interest rates. The committee decided to keep the target range of the federal funds interest rate at 0 to ¼ percent until the unemployment rate falls below 6.5 percent, projected inflation over the next 2 years rises above 2.5% (see chart), and longer-term inflation expectations become untethered. In effect the Fed is saying they are willing to accept an inflation rate that is higher than their explicit target of 2% in an attempt to lower the unemployment rate. The committee views these thresholds as consistent with its earlier date-based policy guidance which stated the Fed would not raise short-term interest rates until mid-2015.

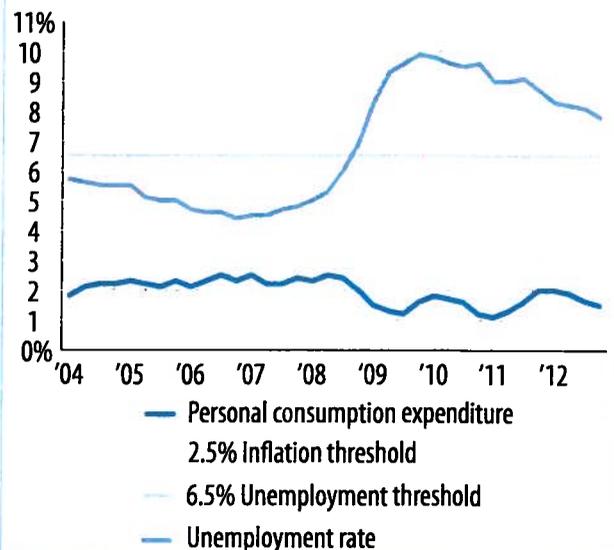
The announcement of thresholds is an attempt by the Fed to improve its communications with the public. By targeting widely followed economic conditions instead of a date-based policy, the markets should be better able to anticipate monetary policy changes.

Second, the Fed announced it will purchase \$45 billion per month in Treasury securities, replacing Operation Twist which was scheduled to ex-

pire at the end of 2012. This is an attempt to keep long-term interest rates low to stimulate the housing sector in particular and overall economic con-

FEDERAL RESERVE'S POLICY THRESHOLDS

(by quarters)



continued ►

ditions in general. This new asset purchase program has been dubbed QE-4, because this is the fourth time the Fed has implemented a "quantitative easing" scheme.

This new QE will increase the size of the Federal Reserve's balance sheet each month due to the creation of new money; technically speaking excess reserves are created in the banking system. This is different from the Operation Twist program which every month sold \$45 billion in short-term Treasury bonds and notes in order to raise funds to purchase \$45 billion of long-term Treasury bonds; therefore no new money was created.

The Fed also said it will continue to purchase \$40 billion of mortgage-backed securities each month, creating a total of \$85 billion of new money each month. These purchases will increase the Federal Reserve's balance sheet from around \$3 trillion today to \$4 trillion by year-end 2013.

The new Fed changes could maintain the current shape or even further flatten the Treasury yield curve in 2013. This will cause most credit unions to experience even lower net interest margins. Credit union cost of funds have been asymptotically approaching zero as maturing share certificates reprice into today's lower interest rates. But yield on assets are falling faster as old loans and investments reprice into today's record low interest rates.

Credit union net interest margins fell to 2.91% of average assets in the third quarter of 2012, down from 3.12% in the third quarter of 2011, as asset yields fell faster than funding costs. We expect credit union net interest margins to fall another 20 basis points in 2013 as asset yields fall another 30 basis points while funding costs decline only 10 basis points.

Offsetting the drop in net interest margins, however, will be the additional income from the mortgage refinance boom these policies will keep in play. The Fed actions will maintain the mortgage refinance boom that has been boosting credit union bottom lines over the last year through increased mortgage fees and "gains on sale" of those mortgages into the secondary market.

Credit unions may want to lower their 2013 forecasts for the 10-year treasury interest rate. The Fed will more than likely keep long-term interest rates below 2% for the entire year. As for short-term interest rates, with today's unemployment rate around 7.8% and the core personal consumption expenditure inflation rate (the Fed's preferred inflation measure) rising only 1.6% over the last year, it will be a couple more years before the Fed pulls the trigger and raises short-term interest rates and in turn credit union asset yields and net interest margins.

Michigan Credit Union Profile

Third Quarter 2012

	US		Michigan Credit Unions			Asset Groups - September 2012				
	Sep 12	Sep 12	2011	2010	2009	2008	< \$5Mil	\$5-\$20	\$20-\$100	> \$100 Mil
Demographic Information										
Number of CUs	7,029	306	313	323	333	344	31	62	125	88
Assets per CU (\$ mil)	146.0	143.6	133.8	123.8	114.8	100.2	1.9	12.5	53.0	414.8
Median assets (\$ mil)	20.7	48.3	44.7	39.1	38.5	32.2	1.5	12.9	49.3	240.2
Total assets (\$ mil)	1,025,909	43,956	41,873	39,987	38,244	34,467	58	775	6,623	36,500
Total loans (\$ mil)	603,027	24,139	23,446	23,429	23,274	22,363	22	348	3,264	20,505
Total surplus funds (\$ mil)	383,582	17,917	16,598	14,842	13,294	10,452	34	404	3,086	14,392
Total savings (\$ mil)	881,321	37,814	36,110	34,455	32,545	29,016	48	676	5,807	31,283
Total members (thousands)	95,102	4,533	4,474	4,471	4,434	4,397	18	135	902	3,477
Growth Rates										
Total assets	6.5	5.9	4.7	4.6	11.0	6.0	-7.1	-5.6	0.3	7.3
Total loans	4.5	4.2	0.1	0.7	4.1	5.3	-0.8	-8.5	-4.2	6.0
Total surplus funds	9.1	8.3	11.8	11.6	27.2	8.0	-12.1	-1.6	5.4	9.3
Total savings	6.2	5.6	4.8	5.9	12.2	6.3	-7.5	-5.9	0.0	7.0
Total members	2.6	1.9	0.1	0.8	0.8	-0.1	-7.4	-13.1	-2.6	3.8
% CUs with increasing assets	75.4	84.0	80.5	68.4	86.8	78.2	54.8	79.0	88.8	90.9
Earnings - Basis Pts.										
Yield on total assets	366	365	403	439	491	555	316	348	355	367
Dividend/interest cost of assets	73	55	76	107	159	218	31	31	43	58
Fee & other income *	141	158	139	140	135	141	98	110	134	164
Operating expense	314	337	351	358	354	381	475	394	374	329
Loss Provisions	35	35	53	79	96	71	30	30	28	36
Net Income (ROA) without Stab Exp	93	105	80	47	13	26	-119	7	51	117
Net Income (ROA) with Stab Exp	84	96	62	36	17	26	-122	2	44	107
% CUs with positive ROA	76.9	79.4	79.2	62.8	63.4	72.4	41.9	62.9	84.8	96.6
Capital adequacy										
Net worth/assets	10.3	11.0	10.9	10.8	10.9	12.1	16.7	11.8	11.2	11.0
% CUs with NW > 7% of assets	95.8	97.1	96.8	95.7	95.5	98.3	96.8	93.5	96.8	100.0
Asset quality										
Delinquencies (60+ day \$)/loans (%)	1.17	1.12	1.46	1.71	1.91	1.66	2.54	1.65	1.28	1.08
Net chargeoffs/average loans	0.74	0.78	0.97	1.20	1.15	0.82	0.81	0.62	0.66	0.80
Total borrower-bankruptcies	239,103	12,129	13,613	18,023	18,850	15,675	19	177	1,744	10,189
Bankruptcies per CU	34.0	39.6	43.5	55.8	56.6	45.6	0.6	2.9	13.9	115.8
Bankruptcies per 1000 members	2.5	2.7	3.0	4.0	4.3	3.6	1.0	1.3	1.9	2.9
Asset/Liability Management										
Loans/savings	68.4	63.8	64.9	68.0	71.5	77.1	46.6	51.4	56.2	65.5
Loans/assets	58.8	54.9	56.0	58.6	60.9	64.9	38.6	44.9	49.3	56.2
Net Long-term assets/assets	33.0	35.6	34.1	34.6	33.6	35.9	9.1	22.2	28.8	37.2
Liquid assets/assets	17.1	14.5	15.4	14.9	16.3	13.7	34.4	25.6	20.0	13.3
Core deposits/shares & borrowings	43.2	38.9	37.4	35.5	34.5	34.7	83.8	60.8	48.0	36.7
Productivity										
Members/potential members	6	4	4	5	5	6	35	5	5	4
Borrowers/members	50	51	50	50	51	50	24	39	44	53
Members/FTE	388	375	378	386	383	379	346	415	393	369
Average shares/member (\$)	9,267	8,343	8,071	7,705	7,340	6,599	2,682	4,995	6,438	8,996
Average loan balance (\$)	12,771	10,477	10,450	10,559	10,386	10,176	5,170	6,615	8,145	11,106
Employees per million in assets	0.24	0.28	0.28	0.29	0.30	0.34	0.89	0.42	0.35	0.26
Structure										
Fed CUs w/ single-sponsor	13.1	2.6	2.6	2.8	3.3	3.5	9.7	4.8	1.6	0.0
Fed CUs w/ community charter	16.4	19.6	19.8	18.9	17.7	16.9	6.5	25.8	21.6	17.0
Other Fed CUs	31.9	15.7	15.7	16.1	15.9	16.6	29.0	14.5	16.0	11.4
CUs state chartered	38.5	62.1	62.0	62.2	63.1	63.1	54.8	54.8	60.8	71.6

Earnings, net chargeoffs, and bankruptcies are year-to-date numbers annualized. Due to significant seasonal variation, balance sheet growth rates are for the trailing 12 months. US Totals include only credit unions that are released on the NCUA FOIA file.

Source: NCUA and CUNA E&S.

Michigan Credit Union Profile

Third Quarter 2012

Asset Groups - September 2012	Michigan Credit Unions				US			
	2008 < \$5M	2009	2010	2011	Sep 12	Sep 12	2011	2010
Growth Rates								
Credit cards	2.0%	4.5%	3.3%	-0.1%	2.0%	5.5%	4.2%	3.0%
Other unsecured loans	-11.2%	2.0%	-2.1%	-1.9%	7.7%	4.2%	10.5%	10.5%
New automobile	-14.5%	-3.3%	5.1%	-16.6%	-3.7%	5.8%	-2.2%	-2.2%
Used automobile	-7.9%	-4.2%	8.3%	12.4%	7.4%	7.9%	11.4%	11.4%
First mortgage	-0.6%	44.3%	7.6%	2.8%	3.2%	6.2%	6.1%	6.1%
HEL & 2nd Mtg	-17.2%	-12.7%	0.1%	-3.8%	-10.0%	-8.2%	-9.3%	-9.3%
Member business loans	-51.0%	-100.0%	31.8%	18.6%	14.0%	6.2%	17.7%	17.7%
Share drafts	-1.8%	9.5%	2.2%	5.1%	8.0%	10.3%	10.5%	10.5%
Certificates	-11.8%	-2.7%	0.2%	-0.9%	-4.2%	-2.5%	-3.0%	-3.0%
IRAs	-7.5%	-4.7%	11.7%	4.9%	2.0%	2.6%	3.0%	3.0%
Money market shares	-7.5%	-4.3%	19.4%	16.8%	7.6%	7.9%	8.4%	8.4%
Regular shares	-5.0%	-9.1%	3.4%	9.5%	11.1%	12.0%	14.2%	14.2%
Portfolio \$ Distribution								
Credit cards/total loans	6.3%	6.2%	6.2%	6.4%	6.1%	6.3%	6.0%	6.0%
Other unsecured loans/total loans	9.6%	4.8%	4.5%	4.4%	4.6%	10.4%	4.3%	4.3%
New automobile/total loans	11.6%	21.8%	8.5%	8.1%	6.7%	10.4%	6.1%	6.1%
Used automobile/total loans	28.0%	43.0%	16.6%	18.3%	20.4%	19.1%	19.5%	19.5%
First mortgage/total loans	27.9%	1.7%	43.2%	42.7%	45.1%	41.0%	46.6%	46.6%
HEL & 2nd Mtg/total loans	9.7%	2.3%	15.1%	12.6%	10.1%	12.7%	10.1%	10.1%
Member business loans/total loans	0.7%	0.0%	3.2%	4.3%	5.4%	7.0%	5.9%	5.9%
Share drafts/total savings	13.6%	7.1%	12.3%	12.9%	13.5%	12.6%	13.6%	13.6%
Certificates/total savings	12.7%	8.5%	29.9%	26.4%	20.9%	22.9%	19.2%	19.2%
IRAs/total savings	7.7%	2.6%	8.3%	8.6%	7.9%	9.1%	8.0%	8.0%
Money market shares/total savings	22.4%	4.0%	25.1%	28.4%	31.9%	22.9%	34.5%	34.5%
Regular shares/total savings	47.2%	76.7%	22.9%	22.2%	24.4%	31.1%	23.3%	23.3%
Percent of CUs Offering								
Credit cards	71.0%	6.5%	74.1%	76.0%	77.1%	54.4%	92.0%	92.0%
Other unsecured loans	100.0%	100.0%	99.1%	100.0%	100.0%	98.1%	100.0%	100.0%
New automobile	100.0%	77.4%	96.8%	97.6%	97.2%	94.8%	100.0%	100.0%
Used automobile	100.0%	100.0%	98.3%	98.2%	97.8%	95.9%	100.0%	100.0%
First mortgage	100.0%	67.7%	78.8%	79.9%	81.4%	62.0%	100.0%	100.0%
HEL & 2nd Mtg	100.0%	6.5%	83.1%	84.4%	84.7%	68.1%	100.0%	100.0%
Member business loans	24.2%	0.0%	42.4%	44.7%	50.5%	32.2%	100.0%	100.0%
Share drafts	93.5%	29.0%	89.0%	89.8%	90.1%	76.2%	100.0%	100.0%
Certificates	74.2%	38.7%	85.5%	85.9%	86.3%	78.1%	100.0%	100.0%
IRAs	92.8%	75.8%	82.6%	82.6%	83.0%	66.0%	100.0%	100.0%
Money market shares	83.2%	50.0%	67.2%	68.8%	69.7%	45.8%	94.3%	94.3%
Penetration								
Credit cards	14.7%	16.2%	15.9%	15.8%	16.0%	17.1%	16.7%	16.7%
Other unsecured loans	13.4%	13.2%	12.7%	12.1%	12.3%	10.8%	13.0%	13.0%
New automobile	2.3%	3.2%	3.7%	3.2%	2.7%	4.2%	2.6%	2.6%
Used automobile	9.9%	9.7%	10.4%	11.1%	11.7%	11.8%	12.7%	12.7%
First mortgage	1.5%	2.4%	2.4%	2.5%	2.5%	2.1%	2.8%	2.8%
HEL & 2nd Mtg	1.2%	3.2%	3.0%	2.8%	2.6%	2.5%	2.7%	2.7%
Member business loans	0.1%	0.2%	0.2%	0.2%	0.2%	0.3%	0.2%	0.2%
Share drafts	37.1%	46.5%	47.6%	48.5%	49.9%	51.7%	56.3%	56.3%
Certificates	5.6%	13.9%	13.4%	12.2%	11.1%	10.5%	10.7%	10.7%
IRAs	3.7%	5.0%	5.2%	5.1%	4.9%	5.7%	5.3%	5.3%
Money market shares	7.0%	4.2%	15.0%	15.8%	17.7%	8.2%	11.4%	11.4%

* Current period flow statistics are trailing four quarters.

Source: NCUA and CUNA E&S.

Michigan Credit Union Profile

Third Quarter 2012

Quarterly Data

	US		Michigan Credit Unions			
	Sep 12	Sep 12	Jun 12	Mar 12	Dec 11	Sep 11
Demographic Information						
Number CUs	7,029	306	309	312	313	318
Growth Rates (Quarterly % Change)						
Total loans	1.7	1.4	2.0	-0.1	1.6	0.8
Credit cards	2.7	2.2	2.0	-5.0	6.1	0.8
Other unsecured loans	3.4	4.1	3.7	-2.5	4.3	4.1
New automobile	3.5	2.4	0.6	-3.1	-2.6	-4.3
Used automobile	2.8	2.7	3.9	1.0	4.1	3.1
First mortgage	1.4	0.8	1.5	1.7	1.4	1.0
HEL & 2nd Mtg	-1.3	-2.1	-2.1	-3.5	-2.2	-1.5
Member business loans	1.6	4.0	3.9	4.4	4.2	2.8
Total savings	0.3	-0.9	0.7	5.5	1.5	0.2
Share drafts	-0.1	-2.3	-1.7	11.8	2.8	3.4
Certificates	-0.8	-1.5	-0.4	-1.0	-0.1	-1.4
IRAs	0.7	0.6	0.7	0.8	1.3	0.2
Money market shares	1.0	0.5	1.8	4.3	1.7	1.0
Regular shares	0.7	-1.8	1.8	10.6	2.1	-1.1
Total members	1.0	0.4	1.0	0.6	1.7	0.3
Earnings (basis points)						
Yield on total assets	360	359	362	374	391	401
Dividend/interest cost of assets	69	52	54	59	82	70
Fee & other income *	149	171	160	150	140	146
Operating expense	323	343	330	341	266	448
Loss Provisions	32	31	34	40	59	45
Net Income (ROA) *	84	101	101	84	53	48
% CUs with positive ROA *	73	75	75	72	71	65
Capital adequacy (%)						
Net worth/assets	10.3	11.0	10.7	10.6	10.9	10.8
% CUs with NW > 7% of assets	95.8	97.1	96.8	95.8	96.8	95.9
Asset quality (%)						
Loan delinquency rate - Total loans	1.18	1.13	1.15	1.33	1.48	1.48
Total Consumer	0.86	0.96	0.94	1.02	1.14	1.06
Credit Cards	0.95	1.14	1.11	1.11	1.20	1.19
All Other Consumer	0.84	0.93	0.92	1.00	1.13	1.04
Total Mortgages	1.45	1.26	1.31	1.56	1.74	1.79
First Mortgages	1.52	1.32	1.35	1.62	1.86	1.92
All Other Mortgages	1.23	1.02	1.13	1.33	1.25	1.28
Total MBLs	2.33	1.24	2.09	2.62	2.06	2.60
Ag MBLs	0.70	0.00	0.00	0.00	0.00	0.04
All Other MBLs	2.42	1.25	2.12	2.64	2.08	2.63
Net chargeoffs/average loans	0.70	0.74	0.75	0.86	1.00	0.94
Total Consumer	0.91	0.93	0.90	1.02	1.17	1.04
Credit Cards	2.17	1.96	2.20	2.27	2.50	2.42
All Other Consumer	0.70	0.77	0.69	0.81	0.93	0.81
Total Mortgages	0.52	0.58	0.64	0.74	0.88	0.87
First Mortgages	0.38	0.46	0.54	0.62	0.77	0.76
All Other Mortgages	0.97	1.13	1.06	1.22	1.30	1.29
Total MBLs	0.70	0.66	0.36	0.83	0.73	1.85
Ag MBLs	-0.01	0.00	0.00	0.00	0.00	0.00
All Other MBLs	0.74	0.66	0.36	0.84	0.74	1.88
Asset/Liability Management						
Loans/savings	67.9	63.0	61.6	60.9	64.3	64.4

Earnings & net chargeoffs are annualized quarterly results not seasonally adjusted. Growth rates are not annualized. Delinquency rates are 60+ day dollar delinquencies. Net chargeoffs are dollar chargeoffs net of recoveries. Totals include only credit unions that are released on the NCUA FOIA file.

Source: NCUA and CUNA E&S.

Michigan

	Credit Unions			Banks		
Demographic Information	Sep 12	2011	2010	Sep 12	2011	2010
Number of institutions	306	312	322	313	132	136
Assets per institution (\$ mil)	144	134	124	519	500	501
Total assets (\$ mil)	43,956	41,870	39,986	67,917	65,937	68,129
Total loans (\$ mil)	24,139	23,445	23,429	45,632	45,305	48,338
Total surplus funds (\$ mil)	17,917	16,596	14,842	16,399	15,320	14,571
Total savings (\$ mil)	37,814	36,108	34,455	53,687	51,352	53,320
Avg number of branches (1)	3	3	3	3	11	11
12 Month Growth Rates						
Total assets	5.9	4.7	4.6	5.1	3.1	0.4
Total loans	4.2	0.1	0.7	1.7	2.0	-2.6
Real estate loans	1.5	0.2	-0.2	0.5	-0.9	-5.9
Commercial loans	16.9	14.0	19.5	16.8	-4.6	19.4
Total consumer	6.6	-1.7	0.2	1.7	2.4	-3.5
Consumer credit card	2.0	-0.1	3.3	1.7	-13.8	-10.0
Other consumer	7.5	-2.0	-0.3	1.7	2.5	-3.5
Total surplus funds	8.3	11.8	11.6	10.6	4.1	6.7
Total savings	5.6	4.8	5.9	5.4	3.7	-0.1
YTD Earnings annualized(BP)	365	403	439	402	413	439
Yield on Total Assets	4.38	4.61	4.38	4.38	4.61	4.38
Dividend/interest cost of assets	55	76	107	79	104	150
Fee and other income (2)	158	139	140	146	299	169
Operating expense	337	369	356	355	394	388
Loss provisions	35	53	79	55	76	97
Net income	96	62	36	64	161	20
Capital Adequacy						
Net worth/assets	11.0	10.9	10.8	10.9	10.5	9.9
Asset Quality						
Delinquencies/loans (3)	1.12	1.46	1.71	1.43	5.49	6.82
Real estate loans	1.26	1.74	2.02	1.67	6.91	8.43
Consumer loans	1.24	1.93	2.99	2.06	1.46	1.59
Total consumer	0.90	1.01	1.12	1.01	0.32	0.40
Consumer credit card	1.14	1.20	1.59	1.31	0.99	0.34
Other consumer	0.85	0.97	1.03	0.95	0.31	0.40
Net chargeoffs/avg loans	0.78	0.97	1.20	0.98	1.44	1.72
Real estate loans	0.65	0.83	0.87	0.79	1.64	1.84
Commercial loans	0.66	1.03	1.06	0.91	0.68	1.18
Total consumer	0.96	1.13	1.68	1.26	0.81	1.05
Consumer credit card	2.08	2.53	3.72	2.78	1.19	1.82
Other consumer	0.74	0.87	1.30	0.97	0.80	1.05
Asset Liability Management						
Loans/savings	63.8	64.9	68.0	65.6	85.0	88.2
Loans/assets	54.9	56.0	58.6	56.5	65.5	67.0
Core deposits/total deposits	39.1	37.6	35.9	37.5	45.4	40.4
Productivity						
Employees per million assets	0.28	0.28	0.29	0.28	0.28	0.27